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CFA Institute Research Challenge

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Team HEC-ULiège

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ARCADIS

Design & Consultancy for natural and built assets

ENGINEER YOUR GREEN PORTFOLIO

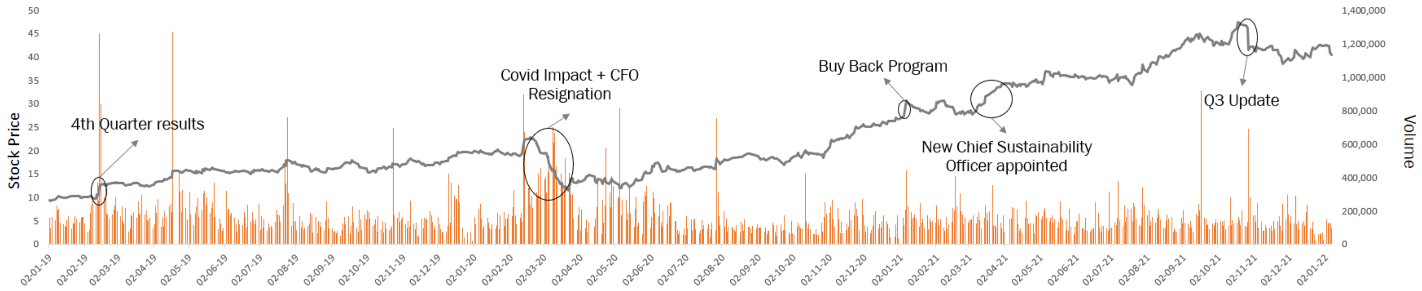
Key Highlights

We issue a BUY recommendation for Arcadis with a target price of €47.20 representing a 21.5% upside compared to the current price on January 13th, 2022. Our target price is based on the Discounted Cash Flow model (DCF). The key points of the analysis are: (1) Qualified management focusing on efficiency and value creation, (2) Best-in-class according to ESG criteria, and (3) A new strategy based on improvement of margins and organic growth.

Recommendation — BUY

Date	13-01-2022
Market Cap	€3.412B
Current Price	€38.84
Target Price	€47.20
Free Float	75.5%
Industry	Construction & Engineering
Sector	Industrials
Ticker	ARCAD
Stock Exchange	Euronext Amsterdam

Figure 0: Daily Stock Price & Volumes Evolution (2019-2022)



Source: Yahoo Finance

Qualified management focusing on efficiency and value creation

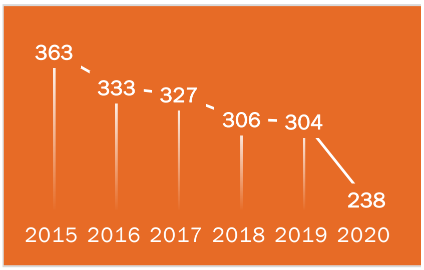
The new management team (Appendix 4.5) is able to make the appropriate decisions when faced with underperforming businesses, such as the Middle East segment. In October 2020, Arcadis announced its decision to gradually reduce the company's footprint in the Middle East, to turn around the lagging businesses, to put more effort into profitable activities. This process is expected to take several years as its implementation will be executed in a controlled manner to satisfy the contractual obligations the company has committed to. As a result, Arcadis has impaired all remaining goodwill and identifiable intangible assets on its balance sheet for its Middle East business (€66M in 2020).

Moreover, formed in 2015 as a result of a merger of "RTKL associates" (acquired in 2007) and "Callison" (acquired in 2014), Callison RTKL has been performing poorly with declining revenues since 2015 despite a new operating model aiming to improve profitability in 2018 (Figure 1). In 2017, Arcadis considered the sale of this architectural and design division to optimize its value. With the aim of improving the company's operating performance, it is only a matter of time before Arcadis' management enacts the sale of this already separated entity. The poor performance of the architectural entity led to a large goodwill impairment (€60M 2020 Q3). However, the entity has suffered strongly from the pandemic which will lead to further impairments (as stated in the interim financial report 2021).

Best-in-class in the Engineering and Construction industry according to ESG criteria

Arcadis is a green enabler whose activities and services contribute to the Sustainable Development Goals of the United Nations (SDGs). Far ahead of its peers, Arcadis generated 80% of its last three-year revenues from projects that comply with the SDGs (peer average: 43%). In terms of diversity, Arcadis is aiming for a 40% female workforce which is a major challenge knowing that there are fewer women graduating from engineering schools (27%). The Arcadis employee-led foundation (major shareholder: 18% of the shares) allows employees to be involved in business decisions, to launch initiatives and to vote (Employee Net Promoter Score +27.8 in 2020). Regarding governance, the CEO of Arcadis agreed to temporarily cut bonuses and reduce his salary by 10% during 2020 in response to the pandemic. This demonstrates a conservative management style with a long-term vision.

Figure 1: Callison RTKL Revenues in millions €



Source: Capital IQ

A new strategy based on improved margins and organic growth

Contrary to peers who acquire companies almost every year, Arcadis' new management has chosen to base its strategy on organic growth combined with margin improvement. In recent years, the company's EBITA margins (Table 1) have improved significantly across all three geographic regions. Moreover, Arcadis has sufficient cash finances to conduct medium-sized acquisitions of companies with digital or sustainable expertise if opportunities are presented.

Table 1: Margin Evolution

	FY17	FY18	FY19	FY20
EMEA	6.6%	6.1%	7.4%	7.7%
Americas	4.8%	6.8%	6.7%	12.0%
APAC	8.8%	7.3%	9.0%	10.2%

Source: Capital IQ

Business Description

Arcadis is a pure-play engineering firm active in the professional services sector based in Amsterdam, Netherlands. It provides business advisory services, consulting, project & cost management, design, and engineering solutions for natural and built assets. The company has a global footprint thanks to its operations in the Americas, EMEA & APAC and employs around 28,000 employees worldwide.

A diversified and international player

The business is built around four fields of expertise (Figure 2): Buildings, Environment, Infrastructure, and Water. They offer professional services from: Consultancy (26% of net revenues), Architectural Design (7%), Design & Engineering (33%), and Program, Project & Cost Management (34%). Arcadis' clients are globally spread with sales coming from EMEA, Americas and APAC (Figure 3). In addition, 7% of Arcadis' revenues come from the company's architectural entity, known as Callison RTKL, which is reported separately and derives most of its revenues from North America.

Arcadis in the value chain

Arcadis provides solutions that address the entire asset lifecycle (Figure 4). It helps clients in the starting phase of their projects with Planning & Development, Design, and Construction through sub-contractors. Arcadis is also active in the middle phase with Project and Cost Management through optimizing asset utilization, as well as in the final stage with Repurposing of assets.

The importance of public clients

Arcadis has two types of clients: private and public clients which both represent around 50% of the revenues. With numerous clients from different industries, Arcadis does not have significant client dependency. Arcadis launched its "250 client program" in 2019. The program aims to increase the profitability of the 250 biggest clients by providing tailor-made services. It represents more than half of the revenues.

Maximizing Impact

Arcadis' new strategic plan 2021-2023, called "Maximizing Impact", sets goals and ambitions presented in Table 2. The new strategy's major notable change is a strategic reclassification of the key business operating areas which will now become Resilience, Places, and Mobility. While Places and Mobility mainly substitute Buildings and Infrastructure respectively, Resilience combines Water and Environment (Figure 5). The management believes the reclassification will have little impact on Arcadis' operations.

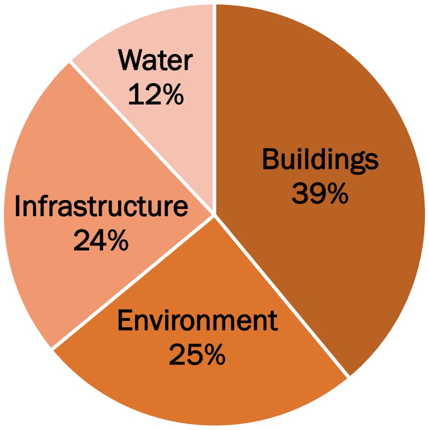
Table 2: Objective Strategy 2021-2023

Financial Objectives	Non-Financial Objectives
Mid-single digit revenue growth	Voluntary staff turnover < 10%
Operating EBITA margin > 10%	Women in workforce > 40%
NWC < 15% | DSO < 75 days	Carbon neutral operations
Return on NWC 40-50%	
Net debt/EBITDA between 1 and 2	

Source: Annual Report 2020

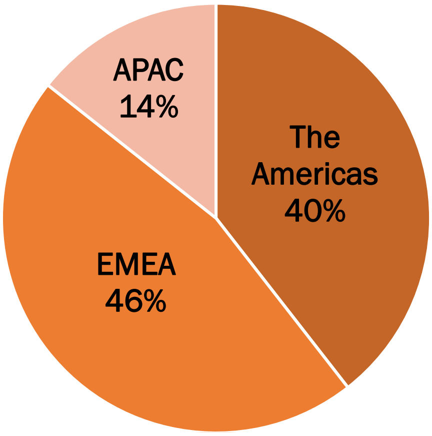
Additionally, the new strategy focuses on sustainability and digitalization. Arcadis wants to contribute positively to environmental issues: 80% of their projects are linked to SDGs and by 2023 they will only work on projects linked to these goals. Additionally, Arcadis works on the development of digital solutions which they consider to be key to remaining competitive in the market. Arcadis has the ambition to become the digital frontrunner in its market. A summary of Arcadis' strengths and opportunities are shown in Appendix 1.1.

Figure 2: Sales by Field of Expertise (FY20)



Source: Annual Report 2020

Figure 3: Sales by Region (FY20)



Source: Annual Report 2020

Figure 4: Value Chain

Source: Annual Report 2020

Industry Overview and Competitive Positioning

Industry overview

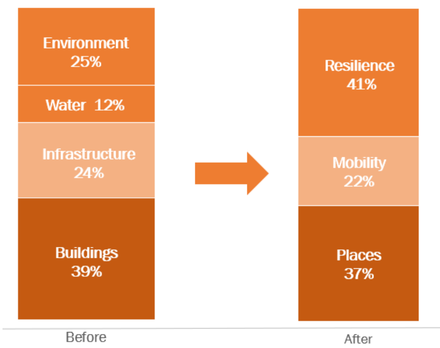
Expected consolidation

Because the Engineering and Construction industry is highly fragmented with many local players and several international ones, market consolidation is likely to occur in the future. M&A volume (2021) exceeded pre-pandemic levels (Figures 6 and 7) fueled by historically low interest rates, while the average size decreased due to fewer megadeals.

Economic outlook

Economic slowdown will continue to put pressure on private investments. Meanwhile, newly agreed budgets, directed towards sustainability, will lead public actors to invest in green projects. The raw materials shortage currently does not have a material impact on

Figure 5: Segment Reclassification



Source: Team Analysis

the industry as shown by the increasing backlog coupled with positive organic growth in 2021.

Demand drivers (Figure 8)

Significant investments made by governments and industries against climate change

The next decade is critical to address climate change issues and requires immediate action to become climate neutral. Climate change pressure pushes both governments and private investors to invest massively in energy transition. The European Green Deal Investment Plan will mobilize at least €1 trillion to support sustainable investments over the next decade and create a framework to facilitate private and public sector sustainable investments. In the US, President Biden has unveiled a $1.7 trillion multi-year spending plan aiming to achieve 100% clean energy and net zero emissions by 2050. Businesses and countries are pressured to meet strict decarbonization and sustainable goals, implying that massive investments are expected in the next decades.

Water scarcity versus in-land flooding

Millions of users in the US or even in Europe struggle to access clean water. The American Society of Civil Engineers concludes that there are roughly 240,000 water main breaks per year, which wastes over two trillion gallons of treated drinking water. Other regions, faced with rising sea levels and more frequent and intense flooding, will need to protect their coasts. We expect higher investments in the water segment due to an increasingly complex supply of water (Figure 9), the emergence of desalination plants, and the protection of coastal areas. Digitalization will help to solve some of the water supply problems through smarter and more efficient management.

Urbanization

To accommodate the population growth which is expected to reach 9.9bn by 2050 (source: IISD) and put tremendous pressure on cities, its citizens and the environment, significant investments will be made. Mobility will become more connected, optimized to tackle traffic congestion, and more sustainable. As cities are becoming bigger and bigger, buildings will be constructed with an increasing focus on smart and sustainable features to reduce operating costs and to deliver climate responsive and healthy buildings.

Digitalization of services

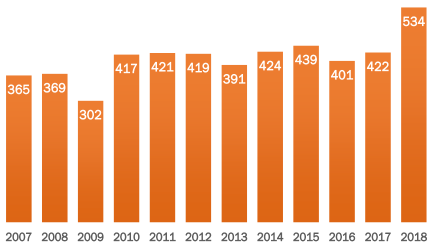
In the fight against global warming, urbanization and water management have one thing in common: digitalization. Digital processes will be embedded in all solutions to meet customers' demands and to enable more efficient management: intelligent buildings, leak detection in pipes, water demand, mobility in cities.

Competitive positioning

A small player in a large and fragmented industry

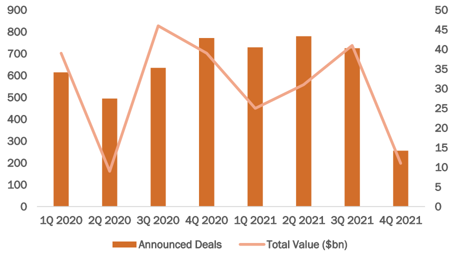
While Arcadis has a market share of only 1%, it can be considered a global player, ranked fifth in terms of revenue in the Top 225 International Design firms 2021 of the Engineering News-Record (ENR) (Table 3). This is a major advantage when it comes to securing contracts with international companies where big projects often get split up between competitors. As shown by our Porter's Analysis, competition in the industry is quite important (Appendix 1.2 and Figure 10). This indicates that clients can easily switch to competitors, that Arcadis does not have large retention power and that it does not benefit from an efficient scale advantage either. For these reasons, Arcadis has no pricing power but neither have the peers. Nevertheless, international customers who need expertise for large projects at the national level prefer global players such as Arcadis, who are able to scale up the project worldwide afterwards. Unfortunately, the company struggles to gain market share. Our horizontal analysis shows that peers have been increasing their sales in a growing market while Arcadis' sales have remained flat over the last 5 years.

Figure 6: Number of Deals in the E&C Industry



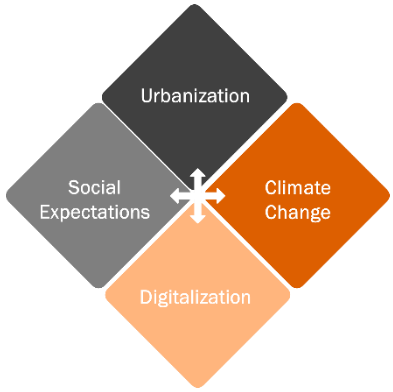
Source: FMI M&A Survey 2019

Figure 7: Number of Deals Announced in the E&C Industry and Total Value



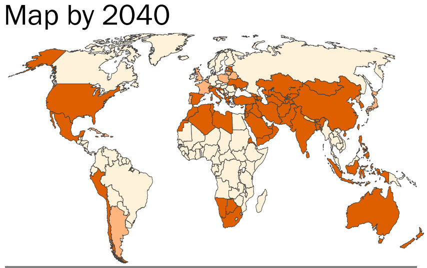
Source: PWC and Refinitiv

Figure 8: Mega Trends



Source: Annual Report 2020

Figure 9: Water Stress Level Map by 2040



Colour	Legend
	Low stress
	Medium stress
	High stress

Source: Statista – Water Stress Level Map 2040

Investment Summary

We issue a BUY recommendation for Arcadis with a target price of €47.20 representing a 21.5% increase based on the current price of €38.84 (January 13th, 2022). Our recommendation is based on a DCF method and confirmed by a multiple analysis computed as the average of the EV/EBITDA, EV/EBIT and P/E ratios.

Strong cash generation

We believe that Arcadis' business model makes it a cash cow firm. We expect the company to generate a significant amount of cash in the coming years without requiring intensive investments. The firm could benefit from more than €1 bn of cash by 2026. The company's

Table 3: ENR Ranking

ENR Ranking	2020	2021
#1	Wood, UK	WSP Global Inc., Canada
#2	WSP Global Inc., Canada	Worley Ltd., Australia
#3	Worley Ltd., Australia	AECOM, USA

Source: ENR 2021 Top 225 International Design Firms decisions regarding the use of extra cash remain uncertain. The company will be able to distribute extra dividends or to make higher investments (M&A and Capex).

Sustainability as a driver for the company

ESG factors have impacted our valuation on different levels. Firstly, for the social aspect, Arcadis is aware of the importance of employee welfare to limit pressure on staff costs. For that reason, they hired a Chief People Officer. Secondly, increasing forecast net sales are partly due to the firm's engagement with environmental goals. With environmental issues becoming more important, addressing them will drive sales upwards. For this reason, Arcadis recently (04-2021) hired a Chief Sustainability Officer. Finally, the management team has played a key role in increasing the profitability of the company as they are working to maximize shareholders' return but also to deliver on profit and non-profit targets.

A global player on the market

As stated before, Arcadis is one of the most important engineering companies in its industry. This enables the company to keep securing big projects over time. In addition, thanks to many industry opportunities (i.e., global megatrends), we expect the company's net sales to increase in the coming years (CAGR of 2.48% over 2021-2026)

Focus on increasing the EBITA margin

Arcadis is aiming to reach an EBITA margin superior to 10% by 2023. Something we strongly believe to be achievable based on their past performance and the strategy the company aims to implement over the same period. Arcadis had targeted an EBITA margin between 8.5% and 9.5% over the period 2018-2020; they managed to obtain an EBITA margin of 9.2% in 2020 starting from 6.6% in 2017. In addition, the company intends to, among other objectives, drastically decrease its office costs (by 30%), and achieve a return from its "Make Every Project Count" program.

An increasing level of profitability to maximize shareholders' return

Arcadis' profitability has been increasing since 2016. Based on their goal to keep increasing their EBITA margin, we believe that their ROE will follow the same direction. Their ROE is expected to reach 16.77% by 2023 which shows Arcadis' capacity to improve its profitability.

Table 3: ENR Ranking

ENR Ranking	2020	2021
#4	Arcadis NV, Netherlands	SNC-Lavalin Inc., Canada
#5	AECOM, USA	Arcadis NV, Netherlands
#6	SNC-Lavalin Inc., Canada	Wood, UK
#7	Jacobs, USA	Fluor, USA
#8	Stantec Inc., Canada	Jacobs, USA
#9	Dar Group, UAE	Stantec Inc., Canada
#10	Ramboll Group A/S, Denmark	Ramboll Group A/S, Denmark

Source: ENR 2021 Top 225 International Design Firms

Figure 10: Porter's Forces

Source: Team Analysis

Financial Analysis

Revenue growth and margins

Stable revenue prospect

Arcadis' gross revenues account for their construction activities (i.e., Project Management: coordination and supervision of the different service contractors) and the Engineering/Advisory services. In our analysis, we exclude the part of the revenues transferred from clients to contractors; we refer to the resulting revenues as the "net revenues". The net revenues (Figure 11 and Table 4) have remained stable across the operating segments during the last 6 years. With a 5-Y CAGR of 0.2% and 3-Y CAGR of 1.3% excluding the impact of currency, Arcadis remains below the peer group 5-Y growth of 1.4%. This limited growth may come from the limited availability of qualified workers in Europe and particularly in the UK (representing more than 17% of net sales in 2020). The Engineering UK 2016 report mentioned skill shortage, and this trend is still present as stated on the UK government's website.

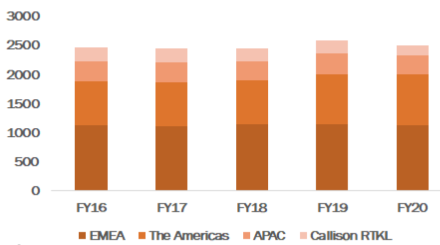
Arcadis is active in a cyclical industry. For that reason, the major risk faced by Arcadis would be a macroeconomic risk. Economic uncertainty and a high level of sovereign debt could threaten investments from both public and private clients.

Wage inflation threatening the margins

As a service company, Arcadis' main expenses are staff costs which on a 5-Y average represent 77% of the revenues, similar to its peers. Our horizontal analysis shows a decrease of outsourcing and temporary labor to the benefit of the firm's own staff (Appendix 3.2) and increasing training expenses for digital services (Expedition DNA – A program aiming to train Arcadis' employees to offer digital solutions). This supports the willingness of the company to decrease its reliance on external service providers. Nevertheless, we remain skeptical of their ability to reduce this item in the future if they follow their strategy to deliver digital solutions to clients. We thus forecast a small increase in the following years.

While seasonally adjusted wage inflation in professional services seems lower in Europe with a 9-month growth rate of 1.1% (0.5% 2020 – 3.1% 2019 – source: Eurostat), we may

Figure 11: Net Revenues Across Regions



Source: Team Analysis

Table 4: Revenue Growth Per Segment

	5-Y CAGR	3-Y CAGR
Total	-0.8%	0.8%
EMEA	-0.6%	0.2%
Americas	1%	5.3%
APAC	-1.1%	-2.1%
CRTKL	-8.3%	-5.1%

Source: Team Analysis

Table 5: Industry Players' Margins

	Adjusted EBITDA Margin	Adjusted EBITA Margin	Adjusted EBIT Margin
Arcadis	14%	9%	8.1%
Afry	14.8%	9.8%	9.6%
Stantec	15.7%	10.9%	9.5%
Sweco	12.9%	9.9%	8.2%
WSP	14.9%	9.5%	7.9%

Source: Team Analysis

expect to observe a future increase similar to what is currently happening in the US due to economic recovery: the US Bureau of Labor estimated a 3% increase in employment costs in this sector. Arcadis can transfer inflation to clients up to a normal level of inflation (i.e., 2%). For that reason, we estimate wage inflation will affect margins in the short term by increasing the percentage of staff costs by 95bps in 2022.

Arcadis is slightly below its peer group (in terms of margins)

Margins in this industry are relatively low (Table 5). This is explained by the importance of public clients (Table 6 and Appendix 1.2) requiring tenders and a largely fragmented market putting pressure on prices. Overall, Arcadis' margins are in line with the industry and on the lower side of its peer group. While Arcadis' topline has remained flat, the company's focus on improving operational performance has led to increasing margins. With IFRS16, a large part of the operating costs related to leases has been transferred to depreciation expenses and interest payments. Adjusted EBIT excluding IFRS impact increased from 5.2% in 2016 to 7.8% in 2020. Margins increased in each region (APAC in 2019, Americas in 2020 and EMEA in 2021) thanks to decreased other operational costs (Figure 12). This corresponds exactly to the implementation of "Arcadis Way" in each region, aiming to harmonize internal systems to increase efficiency. Competitors in this market faced a similar trend. In terms of Net Income margin (adjusted for non-recurrent items such as impairments), Arcadis was behind the peers due to previous higher leverage.

For 2023, Arcadis expects its EBITA margin to be higher than 10% through decreasing "other operational costs". They plan to decrease office costs by 30% by 2023 and they will soon relocate Callison RTKL to Arcadis' offices. We expect them to arrive at a 10.3% margin by continuing to reduce office and occupancy costs due to new ways of working with COVID-19 and lower travel expenses.

Capital structure

Arcadis' leverage has strongly decreased since 2019 (Appendix 2.4). The debt-to-equity ratio of Arcadis was 18% in June 2021 and is similar to its peer group (17%). Because Arcadis' capital structure has converged to the industry average, we expect the company's D/E to remain stable over time. The firm plans to have a Net Debt (excluding leases)/EBITDA between 1.0 and 2.0 (currently 0.2). The company's Interest Coverage Ratio (computed on EBITDA) recently increased to 10 in 2020 thanks to the deleveraging strategy.

Efficiency

Working capital

Recent improvement was achieved in terms of Working Capital. Arcadis managed to reduce its NWC/Gross Revenues to 12.6% (Figure 13). They undertook a large overdue collection in all regions and improved their efficiency in terms of unbilled receivables with the implementation of a new ERP. These two effects reduced their Net Receivables by 33% (66 days). As overdue collection was a temporary effect, DSO was at a new level of 74 days in June 2021. The new ERP is believed to provide a sustainable reduction of 10 DSO by reducing unbilled receivables in the US (representing 97 DSO in 2019). DIO are negligible (~0.1 day) for a service company. DPO were quite stable with an average of 32 days. Other current assets and liabilities respectively represent around 4% and 17% of sales historically.

Their objective to keep their DSO below the 75 days level was achieved by the withdrawal of their activities in the Middle East and the reduction of unbilled receivables in the US. Our forecast of 75 DSO represents our conservative view of their ability to improve their overdue collection more. Other working capital items will follow a similar trend to what has been observed in the past as we do not see any change in the business for the future.

Capital expenditure

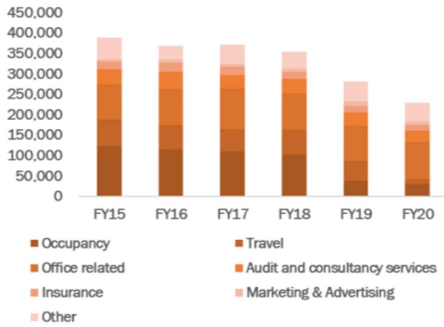
The average CAPEX/Sales ratio between 2015 and 2019 is around 1.8%. COVID-19's impact led to a significant decrease (−16%) of investments. The CAPEX composition is temporarily reoriented towards intangible investments (Figure 14). Arcadis' CAPEX in digital has been steadily increasing (20% 3-Y CAGR), especially in this year's first semester where software investments doubled. However, those investments are aimed at digitalizing the internal operations of the company rather than providing clients with true digital solutions. For example, the increase in digital CAPEX since 2017 mainly financed the harmonization of internal processes (new cloud-based ERP from Oracle). For this reason, we believe that digital investments will improve cash-flow generation by increasing internal efficiency but will not bring large future revenue growth.

Table 6: Industry Players Client Mix

	Public	Private
Arcadis	*45%*	*55%*
Stantec	*Not found*	*Not found*
Sweco	*44%*	*56%*
WSP	*62%*	*38%*
Afry	*28%*	*72%*

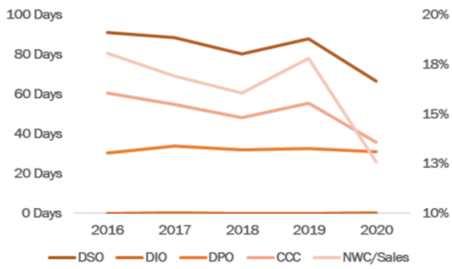
Source: Team Analysis

Figure 12: Other Operating Costs



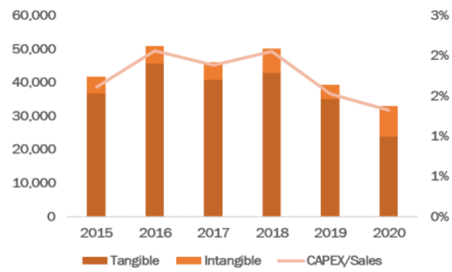
Source: Team Analysis

Figure 13: Net Working Capital in Days and Over Sales



Source: Team Analysis

Figure 14: Capital Expenditures



Source: Team Analysis

Table 7: ROIC Excluding IFRS Impact

	Adjusted ROIC
2015	7.6%
2016	6.5%
2017	7.2%
2018	7.5%
2019	7.9%
2020	10.3%

Source: Team Analysis

Table 8: NWC/Invested Capital

	Return on NWC
2015	34.8%
2016	27.7%
2017	29.6%
2018	30.9%
2019	31.2%
2020	53.9%

Source: Team Analysis

The new target set by the company allocates €40–60M (previous levels of 2% of sales) to investments annually up to 2023. In the longer run, we believe that Arcadis' CAPEX will follow their historical trend and will not materially change. This industry is more labor-intensive than capital-intensive and thus low growth prospects dictate a low need for capital investment. In the long run, we believe that as the company finishes implementing its new ERP, the CAPEX allocation will quickly be rebalanced towards tangible investments.

Profitability

Arcadis' profitability has increased since 2016 with a ROE of 12.3% and ROIC of 10.3% in 2020 (ROIC 12.3% excluding IFRS impact – Table 7). A decomposition of the ROE (Appendix 2.4) reveals that the large increase between 2019 and 2020 is mainly due to improvement in EBIT Margin. Arcadis leverages the return on invested capital for their shareholders with a ratio of Invested Capital over Equity close to 2 during the last 6 years (1.8 in 2020).

Operating NWC (defined as Net Receivables + Account Payables) being a big component of invested capital, Arcadis wants to achieve a 40-50% return on it (54% in 2020 – Table 8). The management's objective has been achieved in 2020 thanks to overdue collection. In the future, we believe Arcadis will be able to achieve a return between 44% and 51% thanks to decreased account receivables compared to pre-2019 levels.

Liquidity & cash balance

Arcadis' quick and current ratios have remained largely above 1 over our analysis time frame of 6 years (Table 9). This reflects the company's strong liquidity position and financial health. Arcadis' liquidity position significantly improved in 2020 thanks to improvement in terms of NWC and now reflects the industry standards (average peer ratios FY20, QR = 1.1, CR = 1.2). With the new focus on profitability, Arcadis is now increasing its cash balance due to a strong generation of cash-flows. Without any M&A, large investments, or increasing redistribution to shareholders, Arcadis could reach a cash level of more than €1.1bn by 2026 (Appendix 2.1) with a cash ratio of 0.9 (0.3 in 2021). This large amount of cash could be used for: M&As, investments, or redistribution.

Poor past M&A record

The value of Arcadis' intangible assets remarkably decreases over time (45% in 2015 – 33% in 2020) due to large impairment charges (Table 10) reflecting bad acquisitions in the past which led the company to avoid M&A in recent years (Table 11). For the moment, the company is not considering acquisitions, but leaves the door open if good opportunities arise that could help the company to be better positioned in terms of digital solutions and sustainability.

Distribution policy

Due to the COVID-19 crisis, Arcadis reacted by temporarily suspending its dividend payments and share buyback in 2020. They have distributed a dividend without any interruption since 1999. They proposed a €0.6 dividend in 2021 representing 40% of net income. In the meantime, Arcadis' peer group payout ratio was 47%. Due to an increasing cash balance and the conservative management of acquisitions, we believe that Arcadis will opt for additional returns for shareholders and could set-up a new buy-back program.

Table 9: Liquidity Ratios

	Quick Ratio	Current Ratio
FY17	1.19	1.29
FY18	1.10	1.19
FY19	1.11	1.17
FY20	1.24	1.33

Source: Team Analysis

Table 10: Annual Impairments

Impairment Charges in millions €	
FY15	0
FY16	15,000
FY17	0
FY18	40,386
FY19	0
FY20	118,881

Source: Team Analysis

Table 11: Main Acquisitions

Year	Company
2007	RTKL
2009	Malcolm Pirnie
2011	EC Harris
2012	Langdon & Seah
2014	Hyder Consulting Callison
2017	E2 Manage Tech, SEAMS

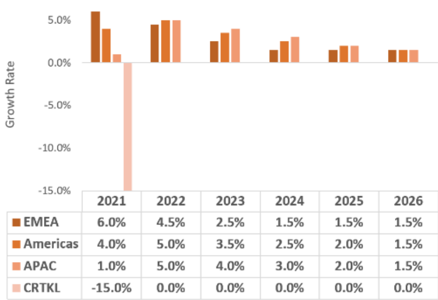
Source: Team Analysis

Table 12: DCF

Enterprise Value (€m)	4,566.8
- Net Debt (€m)	297.4
= Equity Value (€m)	4,269.4
÷ Number of Shares (m)	90.4
= Share Price in (€)	47.2

Source: Team Analysis

Figure 15: Revenue Growth per Region Forecasts



Source: Team Analysis

Valuation

We used a DCF method (Table 12 and Appendix 3.4) based on the Free Cash Flows to the Firm (FCFF) and issue a target price of €47.20, 21.5% upside from Arcadis' closing price of €38.84 on January 13, 2022. The target comes from a weight of 68% on our base case and 16% on each scenario (assuming a normal law). We also performed a Monte Carlo simulation (Appendix 3.5) that provides a 95% confidence interval of €37.6 – €56.5.

Free Cash Flows to the Firm forecasts (Appendix 3.1)

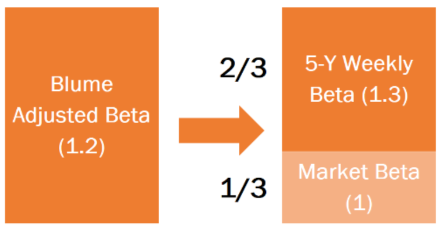
As the EMEA region (especially the UK) has already faced a large increase in investments in 2021, we expect a slowdown in new projects initiated in 2022 with 4.5% growth (6% in 2021) (Figure 15). With an increasing footprint in Latin America and investment from the US government, we forecast a 5% growth rate in 2022 comprised of 2% inflation transferred to clients. Infrastructure needs in Latin America and public investment in the US will lead to higher growth compared to historical growth up to 2025. The APAC region largely reduced its investment due to the COVID-19 crisis but started to catch up in the last quarter of 2021. We expect moderate growth for this region (4% CAGR between 2021 and 2024) due to uncertainty in the construction industry and slowing infrastructure investments in China. After 3 years, revenues are expected to show low real growth as

Table 13: WACC Computation

	Percentage
After-tax cost of debt	2.4%
Rf	1.9%
MRP	6.4%
Beta	1.2
WACC	6.6%

Source: Team Analysis

Figure 16: Beta Computation



Source: Team Analysis

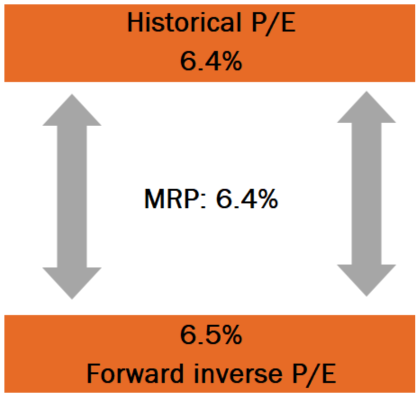
historically observed. It is difficult for Arcadis to sustain long-term real growth due to internal constraints (maximum billable hours per year), low growth of the construction sector, and the raw materials shortage. Concerning Callison RTKL, we remain conservative and keep no growth for this entity. In addition, Arcadis does not seem to be willing to sell this segment in the near future due to recent restructuring taking place.

While overdue collection had a positive impact in 2020, this impact is temporary and leads to a new increase in account receivables. Considering our assumptions around CAPEX and working capital in the previous section, we observe high growth (14% in 2023) in the FCFF mainly explained by increasing margins. We forecast an inflation rate growth from 2026 of around 1.9%.

WACC

The cost of capital of Arcadis is 6.6%. Our estimate is based on the following assumptions (Table 13). First, we assume that Arcadis operates at its optimal capital structure (with a current D/E close to its peers). Second, to estimate the cost of equity we use the Stoxx 600 as the portfolio benchmark of the current shareholders of Arcadis. We use a Blume Adjusted beta of 1.2 (Figure 16) to reflect convergence toward market beta and consider an expected market return of 6.4% corresponding to the inverse of the adjusted P/E of the index. Our adjusted P/E represents the midpoint between the normalized (historical average) P/E and the forward /PE (Figure 17). The risk-free rate is the mid-point between the spot 10-year German bond rate and a normalized rate coming from the application of the Taylor rule (Table 14). Finally, we estimate Arcadis' debt cost as the ratio of expected interest expenses in 2021 over total debt in 2020. The after-tax cost of debt is 2.4%.

Figure 17: MRP Computation



Source: Team Analysis

Table 14: Taylor Rules

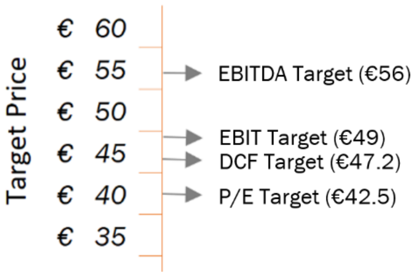
	Percentage
Inflation 5-Y	1.90%
Inflation Gap	−0.10%
Output Gap	0.21%
Taylor Rule	4.06%

Source: Team Analysis

Terminal growth rate

As Arcadis is a cyclical company, a medium-term growth cycle has been forecast. As a result, the perpetual growth (2%) is higher than the growth in the last two years forecast (2025: 1.7%, 2026: 1.4%) which represents the end of our cycle. We do not see long-term growth beside inflation. As previously stated, the number of projects is limited by the highly qualified workforce available on the market and billable hours.

Figure 18: Relative Valuation



Source: Team Analysis

Scenario analysis

We performed a scenario analysis, and we created a bear and bull case to reflect the impact of the macroeconomic environment on our target price. The results and assumptions are given in Table 15.

Table 15: Scenario Analysis

	Bear	Base	Bull
Scenario	Inflation continues to rise in 2022 and remains high. Central banks are obliged to raise interest rates and cut stimulus leading to higher real LT interest rates	Business as usual, inflation remains manageable	Inflation remains manageable, providing confidence and steady investment from the public through long-lasting stimulus from central banks
Revenues	Public/Private investment reduced by increasing interest rates 3-Y CAGR: 1.2% 5-Y CAGR: 1.2%	3-Y CAGR: 3.1% 5-Y CAGR: 2.5%	Public/Private investments benefit from low interest rates. 3-Y CAGR: 4.4% 5-Y CAGR: 3.4%
Staff Cost	High wage inflation 3-Y Mean Cost %: 78.5% 5-Y Mean Cost %: 78.2%	Moderate wage inflation 3-Y Mean Cost %: 77.8% 5-Y Mean Cost %: 77.7%	Low wage inflations 3-Y Mean Cost %: 77.2% 5-Y Mean Cost %: 76.8%
DCF Target	€39.2	€47.2	€54.9
% Change from current price	1%	21.5%	54.3%

Source: Team Analysis

Sensitivity analysis

We analyzed the robustness of our DCF model to changes in the key inputs, namely WACC and long-term growth estimates (Appendix 3.4). As shown by the sensitivity analysis, we expect our recommendation to hold with reasonable changes in our assumptions.

Relative valuation

Our relative valuation (Appendix 3.6) confirms our DCF target with an average relative valuation of €49.2 per share (the mid-point of multiples valuation). Our peer group is composed of Afry, Stantec, Sweco and WSP (selected based on their size, geographical location, business activities and 2020 margins as they were not highly impacted by the COVID-19 crisis). To represent the risk from project management, we added two non-pure-play engineering companies: Aecom and Jacobs. We base our multiple analysis on forward 2022 multiples EV/EBIT(DA) and P/E, as LTM accounting metrics were affected by the COVID-19 crisis. We obtained targets around the DCF Valuation (Figure 18).

Investment Risks (Figure 19)

Operational risks

Probability: Moderate – **Impact:** Low

O1. Currency Risk: Arcadis is active in many different regions and emerging markets. With 77% of net revenues in foreign currency (17% developing markets – Figure 20) the company can be significantly impacted by political instability in emerging countries.

Valuation Impact: In case of increasing uncertainty in foreign markets, foreign currencies could depreciate and result in lower revenues in euros. A 10% depreciation in all emerging markets' currencies would result in a decrease of revenues around 2.3% and a target price of €44.4 (6% downside from target price).

Mitigation: Arcadis usually protects itself against currency risk through derivatives.

Probability: Low – **Impact:** Moderate

O2. Staff Risk: With almost 80% of the expenses related to staff costs, Arcadis must pay attention to their turnover rate. Increasing staff turnover may force them to increase benefits to retain employees and avoid any impact on projects.

Valuation Impact: An increase of 1% in wages and salaries (in addition to the 1% already forecast in 2021) would result in salaries/sales of almost 63%. If this risk materializes, our target price would be updated to €41.8 (11.5% downside from target price).

Mitigation: Arcadis invests in training for its employees to make them engaged within the organization (36h of training/employee/year). In addition, the Lovinklaan Foundation and programs such as the "Your Voice Global Initiative" aim to represent Arcadis' employees in the company's interest and increase loyalty. Additionally, they have hired a Chief People Officer to represent Arcadis' employees' interest.

Regulatory risk

Probability: Moderate – **Impact:** Low

R1. Labor Regulation Risk: Arcadis' main costs are labor costs and therefore changes in regulations regarding, for instance, pensions, employers' charges, or related to employees' compensation would result in margin contraction.

Valuation Impact: An increase of 5% in the social charges and pension expenses would increase staff costs by 45bps. This translates by an updated target price of €46.3 (2% downside from target price).

Mitigation: Arcadis is not able to mitigate this risk as it results from external forces and can't pass this increase onto pricing.

Probability: Moderate – **Impact:** Moderate

R2. Sustainability Risk: With Arcadis claiming to be a sustainable company, it should be aware of the EU Taxonomy currently under development. Failing to meet the requirements would lead to a change in their brand perception. In addition, it would also lead to a decrease in stock demand from sustainable investment funds.

Valuation Impact: Sustainability risk does not have a direct impact on our valuation as it does not affect FCF. Nevertheless, as the stock demand would reduce, this would drive the price down due to lower liquidity with a big shareholder leaving (e.g., APG).

Mitigation: Arcadis pays attention to these regulations and has specific objectives regarding sustainability. The company currently satisfies the 2 published pillars (out of 6) in the current version of the Taxonomy.

Market risk

Probability: Moderate – **Impact:** High

M1. Cyclical Market: The engineering and construction industry is cyclical and is heavily impacted by the economic situation. In addition, due to the current pandemic many countries, especially in Europe, have taken on massive amounts of debt. This could limit their ability to contract further debt in case of rising long-term real interest rates.

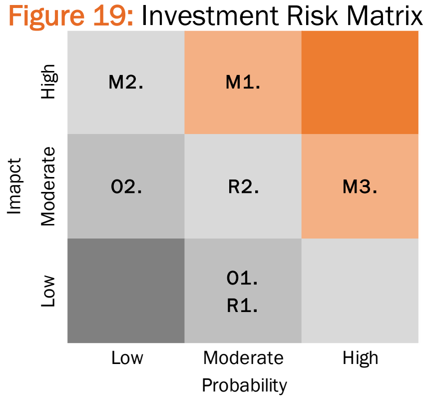
Valuation Impact: Our bear case scenario shows a target price of €37.76 due to decreasing demand and increasing staff costs (20% downside from target price).

Probability: Low – **Impact:** High

M2. Competitive Risk: Arcadis is in a very competitive industry with large proportion of public clients. In the public sector, tenders are commonly used and lead to stronger price competition and margin squeezes. With a possible tightening budget, public clients may put even more pressure on prices.

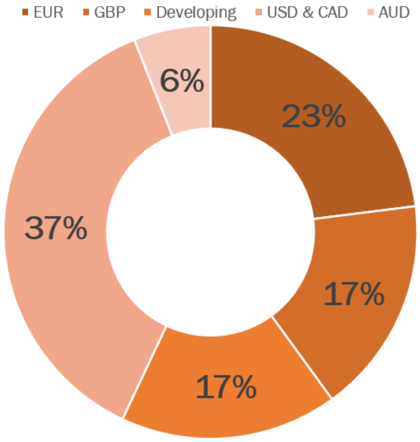
Valuation Impact: If the public sector was to pressure the company to reduce prices on new contracts by 1%, Arcadis' net revenues would decline by approximately by 0.5%

Figure 19: Investment Risk Matrix



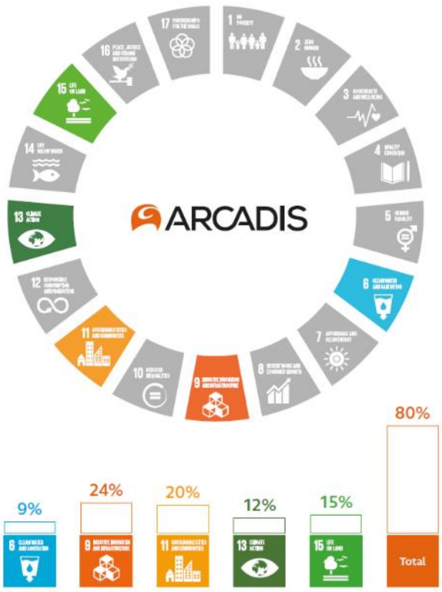
Source: Team Analysis

Figure 20: Currency repartition



Source: Team Analysis

Figure 21: SDGs and projects



Source: Annual Report 2020

Table 16: Revenue related to SDGs

Sustainable Development Goal	*Revenue (FY20)*
(6) Clean water	9%
(9) Industry innovation and infrastructure	24%
(11) Sustainable cities and communities	20%
(13) Climate action	12%
(15) Life on land	15%
Total	80%

Source: Annual Report 2020

compared to our base case. By incorporating this risk, we would revise our target price to €37.4 (20.8% downside from target price).

Probability: High – **Impact:** Moderate

M3. **Raw Materials Shortage Risk:** Even though Arcadis does not provide any construction services, it is highly dependent on the construction industry. A shortage of raw materials could lengthen the duration of projects and reduce the demand for new investments.

Valuation Impact: If raw materials shortage was to decrease new projects' growth by 2% for the next 3 years, the new forecast revenues would be lower by approximately 3.6%. This would result in an updated target price of €41.54 (12% downside from target price).

Environment, Social and Governance

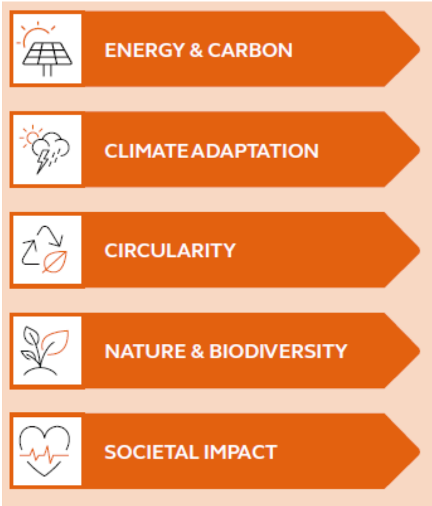
Issues considered to be financially material by the SASB for Engineering & Construction Services industry include: Ecological Impacts, Product Quality, Employee Health and Business Ethics. These issues impacted our valuation case by supporting sales growth and improvements in margins.

Environment

Arcadis' business activities aim to protect the natural environment, such as providing clean water and sanitation (9%), mitigating climate change (12%) and protecting life on land (15%) (Table 16). Through these activities, Arcadis' services contribute to the development of the United Nations Sustainable Development Goals (SDGs) for 2030. Over the last three years the revenue related to the SDGs represented ~80% compared to an average of 43% for its peers (Appendix 4.3 and Figure 21). Our analyses demonstrate that Arcadis, currently, only contributes to the EU Taxonomy objective of climate change mitigation by providing an enabling activity in consultancy on energy performance in buildings. We expect that once the EU Taxonomy is expanded by the additional four objectives in 2022, Arcadis will comply with more of them due to the nature of the company and the integration of the five sustainable themes, which align with the EU Taxonomy, into their services (Figure 22).

Arcadis has a very detailed environmental policy for its Construction and Engineering services. Similar to its peers, Arcadis is registered with the Science Based Target Initiative (SBTi) and aims to limit global warming to 1.5°C and to become a net zero company by 2035. Arcadis currently meets its targets (Appendix 4.2). Due to Arcadis' new ways of working, their office building policies, and commitment to environmental policy, we believe that Arcadis will achieve the SBTi and net zero targets. Since Arcadis is achieving its targets and positively contributing to the environment, it is among the best in class (Appendix 4.2).

Figure 22: Sustainability Themes



Source: Annual Report 2020

Table 17: Female Employees and Turnover

	2020 level	2023 target	Peers' average
Female employees	38%	40%	33%
Voluntary turnover	8.7%	<10%	9%
Total turnover	15.2%	N.A.	15%

Source: Eikon Refinitiv

Social

Gender equality, turnover rate, and training (Appendix 4.4)

Arcadis promotes cultural diversity with a broad base of 28,000 employees in over 70 countries and a better gender balance than its peers (Table 17). Arcadis aims to have over 40% female workforce by 2023. Due to the lack of female employees in the engineering and construction sector (Table 18), we believe that this ratio will not increase significantly soon. Even if the staff turnover lies in the industry range, Arcadis must still be aware of that issue, especially with the Great Resignation going on. Hired in 2019, the Chief People Officer acts as the architect for the company's talent strategy and corporate-culture initiatives. As a result, the employee Net Promoter Score is +27.8 points higher than last year (Figure 23). Regarding training, Arcadis performs better than its peers thanks to a platform that provides "indirect" training with the aim of enhancing workers' welfare (Table 19).

Table 18: Female Employees in STEM

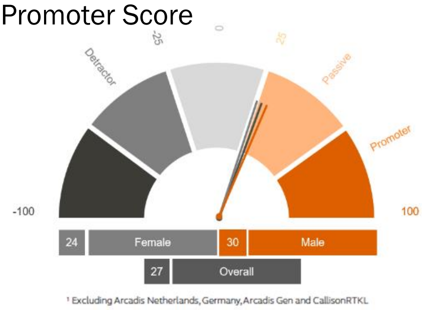
Sector	Female employees
STEM	27%

Source: Census Bureau

Committed employees

The Lovinklaan Foundation, an employee-led organization which represents the voice of Arcadis' employees (called Arcadians) holds 18% of the shares. The foundation is composed of two members of the Executive Board, one member of the Executive Leadership Team, seven members of the Supervisory Board, and ten Arcadians. It abides by a majority of 60%, meaning that both employees and board members should agree. The organization's Board of Directors is continually renewed and represents the current generation of Arcadians. Lovinklaan uses dividends to fund programs that help Arcadians to grow, develop, and reach their full potential. The organization has several programs (Figure 24) such as "Imagine" which rewards the creative and entrepreneurial spirit of Arcadians (new services, new products, new ways to make things better, faster, and

Figure 23: Employee Net Promoter Score



Source: Annual Report 2020

Table 19: Training and Injuries

	Arcadis	Peers' average
Training hours	36	21.66
Injuries per million hours	0.65	2.43
Lost time injury	0.25	0.49

Source: Eikon Refinitiv

greener). We consider this foundation to have positive social consequences as it allows employees to be heard and therefore be committed to the company's vision and missions.

Selected suppliers and subcontractors

As a member of the UN Global Compact (UNGC), Arcadis is committed to its objectives and principles regarding human rights, labor standards, environmental management, and anti-corruption. Arcadis also collaborates with its suppliers and subcontractors to ensure that they are aligned with the UNGC framework.

Governance

Executive management board

The new executive management board is equally gendered and comprises two executive directors managing the day-to-day operations. Both are highly experienced with relevant past experiences and backgrounds in their fields (Appendix 4.5) which will help the company to continue to deliver on both profit and non-profit targets. Also, as an executive committee member of the World Business Council for Sustainable Development, the CEO shows his commitment to sustainability developments with Arcadis.

Executive leadership team

The executive leadership team is composed of six members of different nationalities, 50% of whom are women. Five members have broad experience in the global design/engineering and/or consulting industry.

Remuneration

Executive board remunerations are composed of a fixed remuneration, a short-term variable remuneration and a long-term variable remuneration. In April 2020, Peter Oosterveer, the CEO, reduced his salary by 10% for a period of six months in response to the COVID-19 pandemic. The company also cut dividends and bonuses and stopped its share buyback process. We consider the behavior of the board, which is conservative and willing to make sacrifices to ensure the company's survival in difficult times, to be positive. The short-term remuneration, fully paid in cash, is subject to performance (EBITA margin; FCF), growth (organic net revenue growth) and people (voluntary turnover, leadership behavior) targets. As long-term variable remuneration, the executive board members receive conditional performance shares based on total shareholder return, EPS and the ESG score from Sustainalytics. These conditional shares become vested after three years and are restricted for another two years. In addition, they permit the alignment of investors' interests with directors' interests.

Special shares for more powerful management

With its 600 priority shares, Arcadis Priority Foundation holds a right of approval regarding certain important decisions about acquisitions, divestments, issuance and disposal of shares, and company dilution. Arcadis Preferred Stock Foundation holds a call option to issue cumulative preferred shares up to a maximum equal to the number of outstanding shares on the date in question, to protect the interest of Arcadis and its employees against hostile takeover. Currently, no cumulative protective preference shares have been issued. We consider this strategy positive since it gives more control to the management. However, the management's interests can sometimes vary from shareholders' interests and may threaten minority shareholders. In case of a hostile takeover, the management team could block it without considering shareholders' interests.

ESG-conscious shareholders (Table 20 and Appendix 4.6)

APG Asset Management (15%, A+ PRI rating), and other shareholders such as BlackRock (2%, A+ PRI rating) have strong ESG expectations. Such investors not only focus on expected returns, risks, and costs but also on how sustainable and responsible the investment is, by looking at issues such as diversity, impact on environment and climate, or human rights.

Among the best-in-class

Through the exposure to environmental and social opportunities as well as to the capacity of the management to make strategic decisions supporting long-term growth, profitability, and sustainability, Arcadis is positioned among the best-in-class players in the Engineering and Construction industry. Arcadis has a strong commitment to the sustainable development goals and has developed activities eligible to the EU Taxonomy (among which, climate change mitigation). Besides, the management is well incentivized to capitalize on them through, among others, ESG-linked remuneration.

Figure 24: Programs at Lovinklaan Foundation

Source: Lovinklaan Website

Table 20: Principles for Responsible Investment rating

Main Investors	PRI ratings
APG	A+
Impax Asset Management	A to A+
Fidelity Management & Research	A+
BNP	A to A+
Vanguard Group	A to A+
BlackRock	A to A+

Source: Team Analysis

Appendix 1 – Business Description

Appendix 1.1 – SWOT analysis

S

STRENGTHS

- Diversification both in terms of geographical location and fields of expertise
- High score on ESG criteria
- Increasing efficiency
- Strong Balance Sheet (low net debt, lots of cash)

W

WEAKNESSES

- Poor M&A record in recent years
- Exposure to politically unstable markets (Latin America)

O

OPPORTUNITIES

- Global mega trends, in particular Urbanization and Climate Change
- Digitalization driving adaptation of physical assets
- M&A opportunities
- New market (developing countries)
- More public spending on environmental issues

T

THREATS

- Public spending cuts
- Digital adaptation
- Shortage of qualified workers
- Wage inflation

Source: Team Analysis

Appendix 1.2 – Porter's Forces Analysis

New Entry
Low

Clients often split up projects between engineering companies.

While any company can enter the market without large capital investment, brand image is important for large projects. In addition, Arcadis targets more clients willing to contract with large global players.

Substitution
Medium

The industry must be aware of new trends and adapt rapidly. This is currently noticed with increasing demand from clients to include digital solutions in their projects.

Supplier
High

The main "supplier" of the engineering industry is its staff. Qualified workers are facing great demand from companies leading them to have high power.

Buyer
High

The engineering industry is highly fragmented with large players holding <1% market share. Due to this and the large portion of public clients that perform tenders, the pricing power of buyers increases.

Competitive Rivalry
High

The engineering industry is a highly fragmented market where big players have <1% market share.

Source: Team Analysis

Appendix 2 – Financial Analysis

Adjusted margins exclude non-recurring items such as Impairment or Expected Credit Losses. This measure was used to compare margins across time and across peers.

Appendix 2.1 – Adjusted Balance Sheet

Source: Team Analysis

(in € millions)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
	Assets											
Cash and Cash Equivalent	221.1	260.0	267.9	240.8	296.9	449.2	324.5	460.8	615.2	780.7	950.1	1,121.7
Inventories	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Receivables	1,073.4	1,140.1	1,144.2	1,129.2	1,272.7	934.8	1,028.1	1,074.0	1,105.1	1,126.8	1,145.6	1,161.8
Other Current Assets	90.1	110.9	115.5	105.6	80.9	95.6	102.9	107.6	110.7	112.9	114.7	116.4
Current Assets	1,384.8	1,511.3	1,527.9	1,475.8	1,650.7	1,479.8	1,455.7	1,642.7	1,831.3	2,020.7	2,210.7	2,400.2
Intangible Assets and Goodwill	1,252.9	1,170.4	1,074.3	1,054.2	1,079.8	886.4	879.6	871.4	861.1	851.8	844.6	840.3
Fixed Assets	90.8	100.4	92.6	103.6	100.7	84.3	76.8	80.2	86.0	89.5	92.8	95.0
Right-of-Use Assets	-	-	-	-	266.8	256.0	254.2	254.1	255.4	257.7	260.6	264.1
Other Non-Current Assets	100.1	86.4	91.3	74.9	65.2	57.3	57.3	57.3	57.3	57.3	57.3	57.3
Non-Current Assets	1,443.9	1,357.2	1,258.2	1,232.7	1,512.5	1,284.0	1,267.9	1,263.0	1,259.8	1,256.3	1,255.3	1,256.6
Total Assets	2,828.7	2,868.5	2,786.1	2,708.6	3,163.3	2,763.8	2,723.7	2,905.7	3,091.1	3,277.0	3,466.1	3,656.8
	Liabilities											
Accounts Payables	207.6	252.7	237.2	235.5	279.4	183.3	252.4	264.0	270.5	274.8	279.4	283.4
Other Current Liabilities	405.6	395.4	369.2	434.2	527.8	424.2	437.8	457.4	470.7	480.0	488.0	494.9
Current Financial Liabilities	31.8	56.1	216.1	202.3	226.3	169.1	114.8	114.8	114.8	114.8	114.8	114.8
Contract Liabilities & Provisions	265.7	286.9	363.0	371.2	375.6	336.1	320.1	334.5	344.2	351.0	356.8	361.9
Current Liabilities	910.7	991.1	1,185.5	1,243.3	1,409.1	1,112.7	1,125.2	1,170.7	1,200.3	1,220.6	1,239.0	1,255.0
Debt	677.1	696.9	445.8	380.8	455.8	397.4	305.0	347.2	395.6	446.3	497.6	548.9
Lease Liabilities	-	-	-	-	215.5	209.0	202.0	213.6	226.6	241.1	257.0	274.5
Other Non-Current Liabilities	229.6	178.7	174.2	140.4	117.5	134.6	134.6	134.6	134.6	134.6	134.6	134.6
Non-Current Liabilities	906.7	875.6	620.1	521.2	788.8	740.9	641.6	695.4	756.8	822.0	889.2	958.0
Total Liabilities	1,817.4	1,866.8	1,805.5	1,764.4	2,197.9	1,853.7	1,766.8	1,866.1	1,957.0	2,042.6	2,128.2	2,213.0
	Equity											
Equity	1,011.3	1,001.7	980.6	944.1	965.4	910.1	956.9	1,039.6	1,134.1	1,234.4	1,337.9	1,443.8
Total Equity + Liabilities	2,828.7	2,868.5	2,786.1	2,708.6	3,163.3	2,763.8	2,723.7	2,905.7	3,091.1	3,277.0	3,466.1	3,656.8

Appendix 2.2 – Cash-Flow Statement

Source: Team Analysis

(in € millions)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
	Cash Flow from Operations											
Net Income	101.0	65.6	71.9	−25.7	14.9	21.2	143.2	165.4	190.3	203.5	211.4	218.0
+ D&A	90.7	78.7	70.6	65.3	133.3	146.6	132.6	127.9	127.7	126.8	125.7	124.9
+ Impairment Charges	0.0	15.0	0.0	40.4	0.0	118.9	0.0	0.0	0.0	0.0	0.0	0.0
+ Result Investments Equity Method	3.2	2.6	11.6	12.7	(1.3)	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0
+ Expected Credit Loss	0.0	0.0	0.0	53.9	82.4	(19.7)	0.0	0.0	0.0	0.0	0.0	0.0
+ Income Taxes	31.1	16.4	20.5	30.4	39.9	55.4	64.1	74.0	85.1	91.1	94.6	97.6

+ Net Finance Expenses	26.1	29.0	26.0	27.1	39.5	27.4	21.6	21.0	21.0	21.0	21.0	21.0
= EBITDA	**252.2**	**207.4**	**200.5**	**204.1**	**308.7**	**348.8**	**348.4**	**373.2**	**406.7**	**423.8**	**433.3**	**441.5**
- Income Taxes		16.4	20.5	30.4	39.9	55.4	51.0	58.9	67.3	71.4	73.6	75.4
- Net Finance Expenses		29.0	26.0	27.1	39.5	27.4	21.6	21.0	22.8	24.9	27.1	29.4
- Increase (Decrease) in Inventories		0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
- Increase (Decrease) in Net Receivables		45.5	(71.9)	(23.3)	139.2	(298.5)	106.3	31.6	21.4	14.9	12.9	11.2
+ Increase (Decrease) in Accounts payable		45.0	(15.5)	(1.6)	43.8	(96.1)	69.1	11.6	6.5	4.3	4.6	4.0
- Increase (Decrease) in Other Current Assets		20.8	4.6	(9.9)	(24.7)	14.7	7.4	4.6	3.1	2.2	1.9	1.6
+ Increase (Decrease) in Other Current Liabilities		(10.2)	(26.1)	65.0	93.6	(103.6)	13.6	19.6	13.3	9.3	8.0	6.9
+ Distribution to Shareholders & Forex impact		(75.2)	(93.0)	(10.7)	6.4	(76.4)	(96.5)	(82.7)	(94.5)	(100.3)	(103.4)	(105.9)
= Cash Flow from Operations		**55.3**	**86.8**	**232.4**	**258.7**	**273.7**	**148.4**	**205.6**	**217.4**	**223.6**	**226.9**	**228.9**
	Cash Flow from Investing											
- Increase (Decrease) in Assets & Goodwill		(20.9)	(59.6)	52.2	55.1	(32.8)	21.8	16.6	11.6	8.7	7.2	7.2
- Increase (Decrease) in Fixed Assets		41.7	26.3	44.4	29.8	13.6	24.8	35.0	40.0	40.2	41.7	41.7
- Increase (Decrease) in Lease Assets		0.0	0.0	0.0	337.9	64.1	69.9	71.4	72.9	74.4	75.8	77.3
- Increase (Decrease) in Other Non-Current Assets		(11.1)	16.5	(3.7)	(10.9)	(8.9)	0.0	0.0	0.0	0.0	0.0	0.0
= Cash Flow from Investing		**(9.69)**	**16.8**	**92.9**	**(411.8)**	**(36)**	**(116.5)**	**(123.0)**	**(124.5)**	**(123.3)**	**(124.7)**	**(126.2)**
	Cash Flow from Financing											
+ Increase (Decrease) in Financial Debt		19.8	(251.1)	(65.0)	75.0	(58.5)	(96.0)	42.2	48.4	50.7	51.3	51.4
+ Increase (Decrease) in Lease Liabilities		0.0	0.0	0.0	215.5	(6.5)	(7.0)	11.6	13.0	14.5	16.0	17.5
+ Increase (Decrease) in Current Financial Liabilities		24.4	159.9	(13.8)	24.0	(57.3)	(54.2)	0.0	0.0	0.0	0.0	0.0
+ Increase (Decrease) in Other Non-Current Liabilities		(50.8)	(4.5)	(87.8)	(105.3)	36.8	0.0	0.0	0.0	0.0	0.0	0.0
= Cash Flow from Financing		**(6.6)**	**(95.7)**	**(166.6)**	**209.3**	**(85.4)**	**(157.2)**	**53.8**	**61.4**	**65.2**	**67.2**	**68.8**

Appendix 2.3 – Income Statement

Source: Team Analysis

(in € millions)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Net Revenue	2,596.8	2,468.0	2,436.5	2,439.9	2,576.6	2,493.6	2,573.0	2,688.2	2,766.4	2,820.9	2,867.9	2,908.7
- Staff Costs	1,961.6	1,897.3	1,865.6	1,886.9	1,995.8	1,925.1	2,007.4	2,100.8	2,148.6	2,179.2	2,215.5	2,247.0
- Other Operational Costs	388.9	367.9	371.3	354.7	281.2	229.0	217.3	214.3	211.1	217.9	219.1	220.1
- Depreciations and Amortizations	43.3	41.1	39.6	42.6	116.6	124.7	120.6	120.0	121.9	122.4	122.2	122.0
- Amortization of Other Intangibles	47.4	37.7	31.0	22.7	16.6	21.9	12.0	7.9	5.8	4.4	3.5	2.9
+ Other Income	5.9	4.7	0.9	5.8	9.1	9.3	-	-	-	-	-	-
= Adjusted Operating Income	**161.5**	**128.6**	**129.9**	**138.8**	**175.5**	**202.2**	**215.8**	**245.3**	**279.0**	**297.0**	**307.6**	**316.6**
- Net Finance Expenses	37.8	27.5	32.2	28.0	42.4	34.8	21.6	21.0	22.8	24.9	27.1	29.4
- Income Tax Expenses	31.1	16.4	20.5	30.4	39.9	55.4	51.0	58.9	67.3	71.4	73.6	75.4
= Adjusted Net Income	**92.6**	**84.8**	**77.2**	**80.3**	**93.1**	**112.0**	**143.2**	**165.4**	**189.0**	**200.7**	**206.9**	**211.8**

Appendix 2.4 – Ratios

Source: Team Analysis

	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
	Liquidity Ratios											
Current Ratio	1.5	1.5	1.3	1.2	1.2	1.3	1.3	1.4	1.5	1.7	1.8	1.9
Quick Ratio	1.4	1.4	1.2	1.1	1.1	1.2	1.2	1.3	1.4	1.6	1.7	1.8

Cash Ratio	0.2	0.3	0.2	0.2	0.2	0.4	0.3	0.4	0.5	0.6	0.8	0.9
	Solvency Ratio											
Debt-to-Book Value of Equity	0.7	0.8	0.7	0.6	0.9	0.9	0.6	0.6	0.6	0.6	0.6	0.6
Debt-to-Capital	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Debt-to-Assets	0.3	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.3
Financial Leverage	2.8	2.9	2.8	2.9	3.3	3.0	2.8	2.8	2.7	2.7	2.6	2.5
Net Debt-to-EBITDA	1.9	2.4	2.0	1.7	1.9	0.9	0.9	0.6	0.3	0.0	-0.2	-0.4
Interest Coverage Ratio	6.7	7.5	6.2	7.3	7.3	10.0	16.1	17.8	17.8	17.0	16.0	15.0
	Profitability Ratio											
Adjusted EBITDA Margin	9.7%	8.4%	8.2%	8.4%	12.0%	14.0%	13.5%	13.9%	14.7%	15.0%	15.1%	15.2%
Adjusted EBITA Margin	8.0%	6.7%	6.6%	6.6%	7.5%	9.0%	8.9%	9.4%	10.3%	10.7%	10.8%	11.0%
Adjusted EBIT Margin	6.2%	5.2%	5.3%	5.7%	6.8%	8.1%	8.4%	9.1%	10.1%	10.5%	10.7%	10.9%
Adjusted Net Margin	3.6%	3.4%	3.2%	3.3%	3.6%	4.5%	5.6%	6.2%	6.8%	7.1%	7.2%	7.3%
Adjusted Return on Asset	4.4%	3.6%	3.7%	3.7%	4.0%	4.9%	5.8%	6.2%	6.7%	6.7%	6.5%	6.4%
Adjusted Return on Capital	6.7%	5.6%	6.0%	6.3%	6.7%	7.7%	9.6%	10.1%	10.6%	10.4%	9.9%	9.5%
Adjusted ROIC	7.6%	6.5%	7.2%	7.5%	7.9%	10.3%	12.0%	13.6%	15.4%	16.4%	17.0%	17.5%
Adjusted ROIC (without IFRS16)	7.6%	6.5%	7.2%	7.5%	8.9%	12.3%						
Adjusted ROE	9.2%	8.5%	7.9%	8.5%	9.6%	12.3%	15.0%	15.9%	16.7%	16.3%	15.5%	14.7%
Invested Capital/Equity	1.6	1.6	1.5	1.4	1.7	1.4	1.4	1.3	1.2	1.1	1.0	0.9
	Other Ratios											
Dividend Yield	3.4%	2.7%	2.5%	4.4%	0.0%	2.2%						
Price-to-Book	1.5	1.3	1.7	1.0	1.9	2.7						
	Dupont Analysis Adjusted ROE											
Tax Burden (1-t)	74.8%	83.8%	79.0%	72.5%	70.0%	66.9%						
Interest Burden	76.6%	78.6%	75.2%	79.8%	75.8%	82.8%						
EBIT Profit Margin	6.2%	5.2%	5.3%	5.7%	6.8%	8.1%						
Asset Turnover	0.9	0.9	0.9	0.9	0.8	0.9						
Financial Leverage	2.8	2.9	2.8	2.9	3.3	3.0						
Adjusted ROE	**9.2%**	**8.5%**	**7.9%**	**8.5%**	**9.6%**	**12.3%**						
	Dupont Analysis Adjusted ROIC											
Adjusted NOPLAT Margin	4.8%	4.2%	4.3%	4.1%	5.0%	5.4%						
Invested Capital Turnover	1.6	1.6	1.7	1.8	1.6	1.9						
Adjusted ROIC	**7.6%**	**6.5%**	**7.2%**	**7.5%**	**7.9%**	**10.3%**						

Appendix 2.5 – Net Working Capital

Arcadis Operating Working Capital	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
+ Net Receivables	808	853	781	758	897	599	705	737	758	773	786	797
+ Inventories	0	0	0	0	0	0	0	0	0	0	0	0
- Account Payables	208	253	237	236	279	183	252	264	271	275	279	283
= Operating Working Capital	600	601	544	523	618	416	453	473	488	498	507	514
Change in Operating WC	-	0	(56)	(22)	95	(202)	37	20	15	11	8	7
Operating WC % Gross Revenues	17.6%	18.0%	16.9%	16.1%	17.8%	12.6%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%

Return on Operating NWC	35%	28%	30%	31%	31%	54%	50%	54%	58%	60%	61%	62%

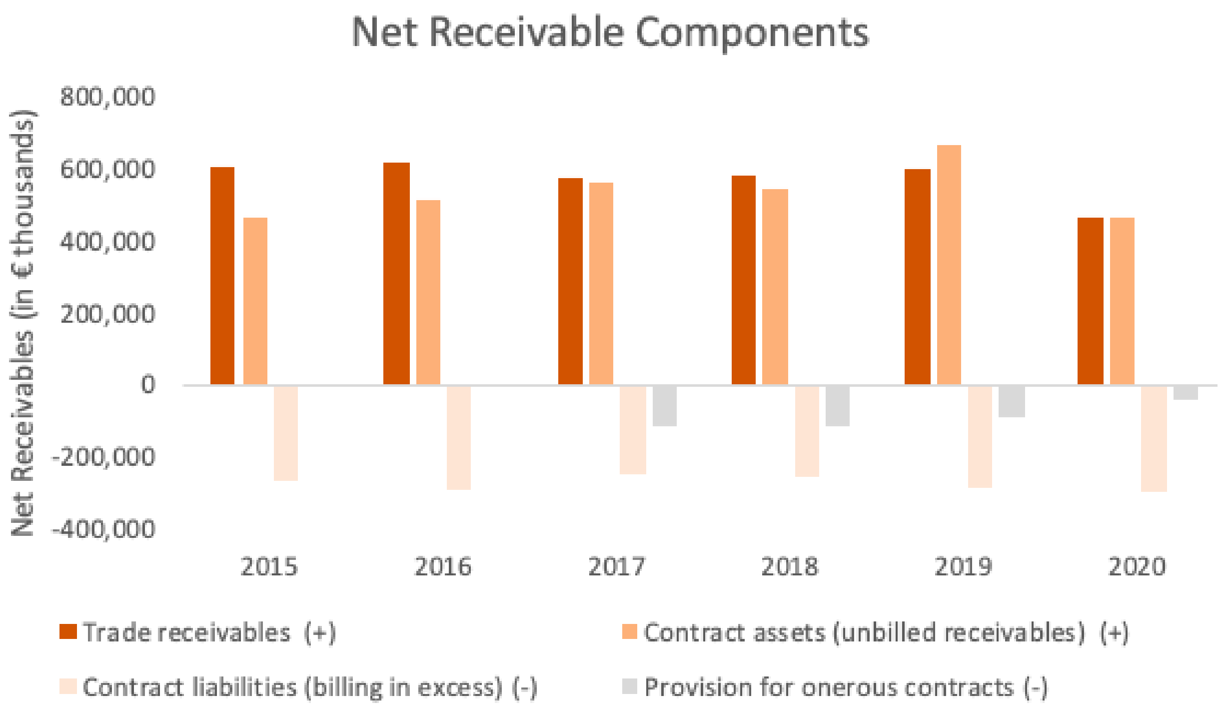
Activity Ratios						
Receivable Turnover	1.1	1.0	1.0	1.1	1.0	1.4
Days Sales Outstanding	84 Days	91 Days	88 Days	80 Days	88 Days	66 Days
Days Inventory Held	0 Day	0 Day	0 Day	0 Day	0 Day	0 Day
Payables Turnover		12.0	10.8	11.4	11.2	11.8
Days Payable Outstanding		30 Days	34 Days	32 Days	32 Days	31 Days

Assumptions	
DSO	75 Days
DPO	32.2 Days
DIH	0.1 Day
Other Current Assets	4%
Other Current Liab.	17%

Arcadis Other Working Capital	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Other Current Assets	90.1	110.9	115.5	105.6	80.9	95.6	103	108	111	113	115	116
% of Net Sales	3%	4%	5%	4%	3%	4%	4%	4%	4%	4%	4%	4%
Other Current Liabilities	405.6	395.4	369.2	434.2	527.8	424.2	438	457	471	480	488	495
% of Net Sales	16%	16%	15%	18%	20%	17%	17%	17%	17%	17%	17%	17%
Change in OWC		31.1	30.7	(74.9)	(118.3)	118.3	(6)	(15)	(10)	(7)	(6)	(5)

Net Receivables
= ***Contract Assets*** *(unbilled receivables)*
+ ***Trade Receivables***
− ***Contract Liabilities*** *(billing in excess)*
− *Provision for Onerous Contracts*

We used the Arcadis Methodology to compute DSO in order to monitor their evolution. DSO are computed on gross revenues instead of net revenues to consider that some receivables are linked with Arcadis acting as a third party in construction contracts. Gross Sales includes Net Sales as well as Services & Materials to third parties (when Arcadis acts as a third party). Historically, Services & Materials to third parties represented 25% of gross revenues. For the same reason, DPO are also based on gross revenues. In addition, we take as a proxy for the COGS the staff costs as well as the Services & Materials to third parties. The DPO for the forecast periods is the average DPO between 2016 and 2019 (thus excluding temporary change in 2020 in account payables). We make the hypothesis that the Net Sales over Gross Sales will remain constant at 75%. Other non-current assets/liabilities are forecast on a historical basis on percentage of sales.



Appendix 3 – Valuation

Appendix 3.1 – FCFF Computation and DCF computation

Source: Team Analysis

(in € millions)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Net Sales	**2,596.8**	**2,468.0**	**2,436.5**	**2,439.9**	**2,576.6**	**2,493.6**	**2,573.0**	**2,688.2**	**2,766.4**	**2,820.9**	**2,867.9**	**2,908.7**
EMEA	*1,151.0*	*1,117.0*	*1,113.0*	*1,133.0*	*1,145.0*	*1,119.0*	*1,186.1*	*1,239.5*	*1,270.5*	*1,289.6*	*1,308.9*	*1,328.5*
The Americas	*832.0*	*769.0*	*751.0*	*755.0*	*860.0*	*876.0*	*911.0*	*956.6*	*990.1*	*1,014.8*	*1,035.1*	*1,050.6*
APAC	*342.0*	*338.0*	*344.0*	*331.0*	*350.0*	*323.0*	*326.2*	*342.5*	*356.2*	*366.9*	*374.3*	*379.9*
Callison RTKL	*272.0*	*244.0*	*229.0*	*220.0*	*222.0*	*176.0*	*149.6*	*149.6*	*149.6*	*149.6*	*149.6*	*149.6*
- Staff Costs	1,961.6	1,897.3	1,865.6	1,886.9	1,995.8	1,925.1	2,007.4	2,100.8	2,148.6	2,179.2	2,215.5	2,247.0
- Other Operational Costs	388.9	367.9	371.3	354.7	281.2	229.0	217.3	214.3	211.1	217.9	219.1	220.1
+ Other Income	5.9	4.7	0.9	5.8	9.1	9.3	-	-	-	-	-	-
= EBITDA	**252.2**	**207.4**	**200.5**	**204.1**	**308.7**	**348.8**	**348.4**	**373.2**	**406.7**	**423.8**	**433.3**	**441.5**
- Depreciations	43.3	41.1	39.6	42.6	116.6	124.7	120.6	120.0	121.9	122.4	122.2	122.0
= EBITA	**208.8**	**166.3**	**160.9**	**161.5**	**192.1**	**224.1**	**227.8**	**253.2**	**284.8**	**301.4**	**311.1**	**319.5**
- Amortization of Other Intangibles	47.4	37.7	31.0	22.7	16.6	21.9	12.0	7.9	5.8	4.4	3.5	2.9
= Adjusted EBIT	**161.5**	**128.6**	**129.9**	**138.8**	**175.5**	**202.2**	**215.8**	**245.3**	**279.0**	**297.0**	**307.6**	**316.6**
+ D&A	90.7	78.7	70.6	65.3	133.3	146.6	132.6	127.9	127.7	126.8	125.7	124.9
- Increase (Decrease) in NWC	-	0.5	(56.4)	(21.7)	95.3	(202.4)	31.0	5.0	4.7	3.5	2.2	1.9
- CAPEX (including Lease Additions)	44.6	52.9	47.7	51.6	102.6	108.9	116.6	123.0	124.4	123.1	124.6	126.1
- Tax	43.6	34.6	39.5	38.4	44.6	53.0	56.6	64.4	73.2	78.0	80.7	83.1
= FCFF	**164.0**	**119,5**	**169,7**	**135,7**	**66,2**	**389,3**	**144.1**	**180.8**	**204.3**	**219.2**	**225.8**	**230.4**

Appendix 3.2 – Expenses Distribution

Source: Team Analysis

	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Staff Costs (% Net Sales)	**75.5%**	**76.9%**	**76.6%**	**77.3%**	**77.5%**	**77.2%**	**78.0%**	**78.1%**	**77.7%**	**77.3%**	**77.3%**	**77.3%**
Salaries and Wages (% Staff Costs)	77.9%	78.1%	76.7%	77.1%	78.1%	79.4%	79.4%	79.6%	79.7%	79.8%	79.8%	79.8%
Social Charges (% Wages)	10.9%	10.3%	10.7%	10.8%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%
Pension Charges (% Wages)	4.7%	4.6%	5.0%	4.7%	4.5%	4.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Other Staff Costs (% Wages)	12.7%	13.1%	14.7%	14.3%	12.9%	11.0%	10.9%	10.5%	10.3%	10.3%	10.3%	10.3%
Other Operation Costs (% Net Sales)	**15.0%**	**14.9%**	**15.2%**	**14.5%**	**10.9%**	**9.2%**	**8.4%**	**8.0%**	**7.6%**	**7.7%**	**7.7%**	**7.6%**
Occupancy (% OOC)	31.6%	31.4%	29.8%	29.1%	13.5%	13.0%	12.3%	11.3%	10.9%	10.5%	10.5%	10.4%
Travel (% OOC)	16.6%	15.9%	14.7%	16.9%	17.2%	5.5%	8.5%	11.8%	14.6%	16.6%	16.6%	16.5%
Office Related (% OOC)	22.0%	24.2%	26.5%	24.9%	30.9%	39.3%	37.3%	33.6%	29.8%	28.9%	28.8%	28.7%
Audit & Consultancy Services (% OOC)	9.9%	11.4%	9.3%	10.3%	11.5%	12.8%	10.8%	10.9%	11.1%	10.7%	10.7%	10.7%
Insurance (% OOC)	4.9%	6.2%	5.4%	4.9%	5.9%	6.3%	6.9%	7.3%	7.6%	7.5%	7.6%	7.6%
Marketing & Advertising (% OOC)	1.4%	1.9%	1.8%	2.1%	4.1%	3.1%	3.5%	3.6%	3.7%	3.7%	3.7%	3.8%
Other (% OOC)	13.6%	9.0%	12.5%	11.8%	17.0%	20.0%	20.8%	21.5%	22.3%	22.0%	22.2%	22.3%

Appendix 3.3 – DCF

Source: Team Analysis

(in € millions)	2022E	2023E	2024E	2025E	2026E
FCFF	**180.8**	**204.3**	**219.2**	**225.8**	**230.4**
Discount factor (WACC 6.2%)	0.94	0.88	0.83	0.77	0.73
Discounted FCFF	**169.6**	**179.7**	**180.9**	**174.7**	**167.3**
Σ Discounted FCFF	872.2 (19%)				
Terminal Value					5,089.8
Discounted Terminal Value	3,694.5 (81%)				

Enterprise Value	**€4,566.7**
+ Cash	€324.5
- Debt	€621.8
- Pref. Stock	0
- Minority Interest	0
= Market Value	**€4,269.4**
÷ Outstanding Shares	90.4
= Share Value	**€47.2**

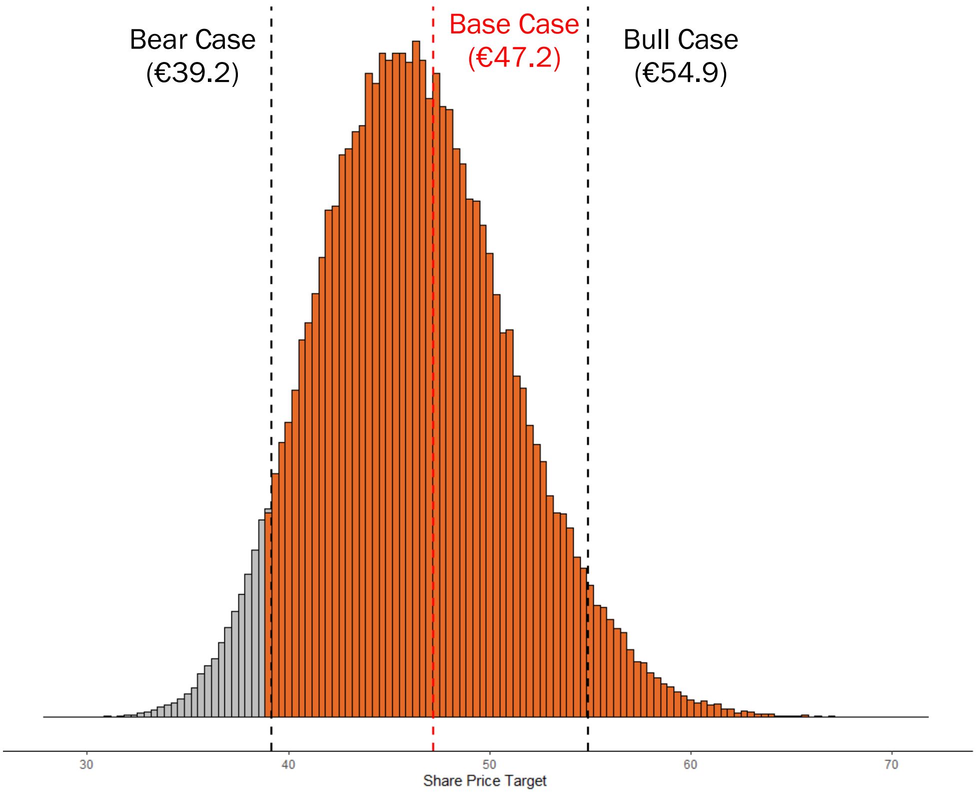
Appendix 3.4 – Sensitivity Analysis

Source: Team Analysis

		WACC						
		5.87%	6.12%	6.37%	6.62%	6.87%	7.12%	7.37%
LT growth rate	1.55%	51.6	48.6	45.9	43.4	41.2	39.2	37.3
	1.70%	53.3	50.1	47.2	44.6	42.2	40.1	38.2
	1.85%	55.1	51.7	48.6	45.9	43.4	41.1	39.1
	2.00%	57.1	53.4	50.1	**47.2**	44.6	42.2	40.1
	2.15%	59.2	55.2	51.7	48.6	45.9	43.4	41.1
	2.30%	61.5	57.2	53.5	50.2	47.2	44.6	42.2
	2.45%	64.0	59.4	55.3	51.8	48.7	45.9	43.3

Appendix 3.5 – Monte Carlo Simulation

Source: Team Analysis



We performed a Monte Carlo simulation with 100,000 iterations and 29 random variables (RV) to create a distribution of our target price. The simulation captures changes in key inputs: sales growth (20 RV – 4 segments with 5 time periods), Staff costs (5 RV – 5 time periods), office costs (2 RV – 2022 and 2023), WACC (1 RV) and long-term growth rate (1 RV). Our Monte Carlo indicates that, in comparison to Arcadis' market price on 13th of January, 93.4% of outcomes exceed the current price while 60% of outcomes exceed the price of €45.

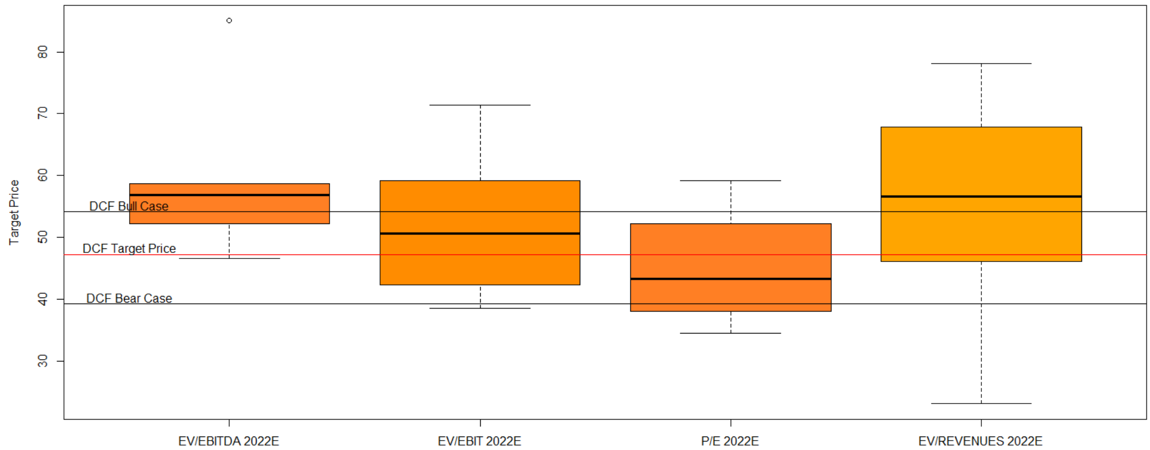
We assume that sales growth in each region follows a triangular distribution centered on the base case. The assumption are time-varying according to the base case pattern. We also assumed the correlation between each region equals to the historical correlation. Staff Costs follow a normal distribution (Mean: base case and standard deviation: historical estimate of 0.7%). Staff costs is a highly persistent time series with on lags of 90%. The office costs vary from 75% to 90% of 2020 level (80% base case) and vary from 70% to 80% of 2020 level (70% base case). The WACC follows a smoother triangular distribution (Beta Pert Distribution) with a mode of 6.6%, a maximum WACC of 7% and a minimum WACC of 5.75%. We used a uniform distribution for the long-term growth rate with a minimum of 1.5% and a maximum of 2.2%. Overall, the larger effect comes from the staff costs while sales growth has very little effect on the variance of the distribution of prices.

Table 3.6.1

Screening Criteria	Unit	
Market Capitalization	(US$ M)	between 2000 and 8000
Enterprise Value	(US$ M)	between 2000 and 10000
Geographic Location	/	Europe OR United States and Canada
Industry Classification	/	Construction and Engineering OR Research and Consulting Services
EBITDA Margin	(%)	between 10 and 17
Return on Assets	(%)	between 1.5 and 6.5

Table 3.6.2

	Arcadis	Afry	Stantec	Sweco	WSP
			Margins		
EBITDA Margin	14%	15%	16%	13%	15%
EBIT Margin	8%	10%	9%	8%	8%
Net Income Margin	5%	7%	6%	6%	5%
			Leverage		
D/E Ratio (LTM2021)	17.00%	25.00%	17.00%	10.00%	14.00%
			Liquidity Ratios		
Current Ratio	1.3	1.3	1.6	1.3	1
Quick Ratio	1.2	1.2	1.5	1.2	0.9
Cash Ratio	0.4	0.3	0.3	0.3	0.1
			Geographical Revenue Split (2020)		
The Americas	39%	0%	82%	0%	58%
EMEA	46%	100%	7%	98%	21%
APAC	14%	0%	11%	2%	0%
Other	0%	0%	0%	0%	22%



Source: Team Analysis

Table 3.6.3

	EV/EBITDA 2022E	EV/EBIT 2022E	P/E 2022E	EV/REVENUES 2022E
Afry	12.1	17.4	19.3	2
Aecom	13.9	16.3	22.4	0.9
Jacobs	14.8	15.4	18.9	1.4
Stantec	13	21.2	24.2	2.1
Sweco	21.4	27.5	32.4	2.7
WSP	15	24.9	32.2	2.7
Median	**14.4**	**19.3**	**23.3**	**2**
Arcadis	10.5	15.7	21	1.6

Source: Team Analysis – Capital IQ

Higher ratios for Sweco and WSP reveal higher growth prospects for some of these companies, paired with margin improvement in the industry. Valuation ranges for EV/EBIT and EV/EBITDA (Table 3.6.3) are quite narrow. Arcadis currently lies at the bottom of the range because peers display higher EBIT and EBITDA margins (Table 3.6.2). Ranges of EV/Sales multiple are broad due to the type of business (difference Gross/Net Sales), we have therefore decided to not consider this multiple. Overall, the median value induced by the multiple analysis (median value of €49) confirms our DCF target price.

Appendix 4 – Environmental Social and Governance

Green equals best in class performance, yellow equals average performance, and red equals bad performance compared to the peers.

Appendix 4.1 – Environmental

Environmental performance	Criteria	Afry	Stantec	Sweco	WSP	Mean	Arcadis
Energy	Energy consumption in MWh	221,886	135,898	Not found	221,886	193,223	54,265
	Energy intensity ratio	14.53	7.11	Not found	4.96	8.87	2.02
	Energy reductions realized	1.6%	13.0%	Not found	1.6%	5.4%	16.7%
Emissions	Scope 1	0.30	0.61	0.42	0.55	0.47	0.42
	Scope 2	0.24	1.15	0.43	0.95	0.69	0.68
	Scope 3	0.17	0.7	0.20	10.08	2.79	0.49
	GHG emission intensity ratio	0.71	2.46	1.05	11.59	3.95	1.59
	GHG reduction realized	46.24%	29.7%	Not found	7.46%	27.8%	37.6%
Environmental compliance	Violations, fines and/or penalties	Not found	No	Not found	No	-	No
Supplier environmental assessment	Screenings using environmental criteria	Yes	Yes (CDP supplier engagement leader board)	Yes	Yes	-	Yes
	Negative environmental impacts in the supply chain	Not found	No	Not found	Not found	-	Not found

Source: Annual Reports 2020, Sustainability Reports 2020, CDP 2021 Questionnaire and Team Analysis

Appendix 4.2 – Net Zero Goals

Net zero by 2035 from a 2019 base	Criteria	Afry	Stantec	Sweco	WSP	Mean	Arcadis
Energy	100% renewable electricity by 2022	Not found	Not found	Not found	Not found	-	Not found
Emissions	Reduction of scope 1 and 2 by 45% by 2025	27%	18.2%	Not found	17.5%	21%	9.1%
	Reduction of scope 3 business travel by 35% by 2025	72.6%	46.2%	Not found	63.9%	61%	63.7%
	Offset 100% of material scope 1, 2, and 3	Not found	Yes	Partially	Partially	-	Yes
	Reduction of flight emissions by 50% by 2025	>70%	Not found	Not found	Not found	-	62%
	Reduction of total company emissions by 50% by 2028	47.8%	28.6%	Not found	7.6%	28%	37.6%
Car	100% electric company fleet by 2030	Not found	Not found	Not found	Not found	-	Not found

Source: Annual Reports 2020, Sustainability Reports 2020, and Team Analysis

Appendix 4.3 – Revenue Connected to Sustainable Development Goals

Sustainable Development Goals	Criteria	Afry	Stantec	Sweco	WSP	Mean	Arcadis
	Revenue	Not found	49%	Not found	43%	46%	80%

Source: Annual Reports 2020 and Sustainability Reports 2020

Appendix 4.4 – Social

Social performance	Criteria	Afry	Stantec	Sweco	WSP	Mean	Arcadis
Diversity	Female employees	27.80%	34%	33%	37%	33%	38%
	Female board	37.5%	33.3%	57%	22%	37%	33.3%
Employment	Voluntary turnover	Not found	8.20%	Not found	10%	9%	8.70%
	Total turnover	12.50%	14.60%	14%	17%	15%	15.20%
Training	Hours of training per employee	29.7	17.9	Not found	17.39	21.66	36
Health and Safety	Injuries per million hours	1.05	1.25	Not found	4.98	2.43	0.65
	Lost time injury	0.62	0.35	Not found	0.5	0.49	0.25

Source: Annual Reports 2020, Sustainability Reports 2020 and Eikon Refinitv

Appendix 4.5 – Governance

Executive Management Board

Peter Oosterveer, CEO *- Term 2017-2021*

1985-1988 BSc in Electrical Engineering (Noordelijke Hogeschool Leeuwarden)

2020-Now Executive Committee Member @ *World Business Council for Sustainable Development (WBCSD)*

1988-2017 He joined *Fluor Corporation*, a global Engineering & Construction company, in 1988 as a Controls System Engineer. Then, he became part of the Corporate Leadership Team, and was promoted to COO in 2014.

Virginie Duperat-Vergne, CFO *- Term 2020-2024*

1994-1997 MSc in Finance and Management (Toulouse Business School)

2017-2019: CFO @ *Gemalto*. She was involved in the Acquisition of Gemalto by the *Thales Group*.

2017-2017 Group Deputy and CFO @ *TechnipFMC*, a global oil and gas company that provides complete project life cycle services for the energy industry

2010-2017 She held several finance positions @ *Technip* specializing in project management, Engineering and Construction for the energy industry

2007-2010 Compliance Officer for Accounting Standards @ *Canal+*

2001-2007 Senior Manager @ *EY*

Source: Annual report and LinkedIn

Appendix 4.6 – Shareholders

Main Investors	Investment Philosophy
Impax Asset Management	*"We invest in companies and assets that are well positioned to benefit from the transition to a more sustainable economy."*
Fidelity Management and Research	*"We incorporate ESG research into our active management process, particularly when ESG considerations are material to an investment's long-term performance."*
BNP	*"At BNP Paribas Asset Management, our aim is to achieve long-term sustainable investment returns for our clients. This means that we integrate sustainable investment practices into the heart of what we do."*
Vanguard group	*"At Vanguard we have developed a sustainability strategy that balances growth and efficiency. Our commitment to carbon neutrality is demonstrated by our long-term goal of balancing three objectives: reducing our global carbon emissions, making capital investments in our real estate, and funding carbon offset projects."*
BlackRock	*"Our purpose is to help more and more people experience financial well-being. We're taking action to contribute to a more equitable, financially resilient future for all."*

Source: Company Websites